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Globalization of Markets: A Framework

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GLOBALIZATION OF MARKETS: A FRAMEWORK

ABSTRACT

The concept of globalization has over the years been given much attention and debate. This paper seeks to provide some organization to the menagerie of terms and issues existing, reconcile persistent debate, and develop a synthesized framework for the concept of globalization of markets. Managerial implications of the proposed framework are also provided.

I. INTRODUCTION

The concept of globalization has been expressed in diverse ways. Several terms over the years have been developed to describe the manifestation of globalization in different areas, such as global strategy, global markets, global products, global advertising, and global marketing. Though these terminologies and their implications are partially related, it is confusing to most academics and businessmen. Disagreements frequently occur not only at the level of empirical effects, but also in the very definition of the phenomenon. People find themselves talking at cross purposes; sometimes it almost seems they are addressing different subjects from the perspective of a bystander. The source of this problem is the lack of a conceptual framework of globalization.

Conceptual and analytical research has quickly emerged in attempts to support or assail the global marketing concept. Despite such notice and controversy, the general literature emphasis has been on strategic issues and abstractions, categorization of products conducive to global marketing, and testimonials and opinions of corporate officers on their treatment of the concept. Such study has provided considerable information and structural background on global marketing. However, there is still a lack of a consistent and adequate definition of the concept, and the appropriate specifics of the issues concerned.

The purpose of this paper is to discuss and organize the

various issues concerned and to provide an alternative framework to address the issue of globalization. The concepts of global marketing, global products, and the relationship between the globalization of markets and standardization of marketing are discussed. Different perspectives of a global market and global marketing are offered and synthesized.

The organization of this paper involves four main parts. Following this introductory section, Section II addresses the concept of globalization, discussing the issues of global marketing, global products, and standardization and globalization. Section III proposes a synthesized framework and its managerial implications. The last section is the conclusion.

II. GLOBALIZATION: MAIN ISSUES

This section discusses the following three main issues of globalization: global marketing, global products, and the relationship between standardization and globalization. All these issues are related to international marketing strategies.

GLOBAL MARKETING

A global marketing strategy assumes that all buyers of the world are alike and a successful product in a market can be marketed similarly on a global scale (Kaynak, 1987).

Strategically, to be able to market a product effectively, a firm needs to think globally instead of domestically or one country at a time. Though the global approach looks for similarities and

tries to minimize differences between markets, researchers and marketers realize that it is difficult to apply the same marketing strategy in every market (Marketing News, 1985b). For example, Huszagh, Fox, and Day (1985) have defined global marketing in a progressive nature. They classified global marketing into four stages. Two extremes are found in stages 4 and 1, with the former having total uniformity in the entire marketing mix and the latter involving a global product with adaptations in price, promotion, and distribution. Firms in stage 2 employ a uniform product and price approach in all markets. A firm is in stage 3 if it further standardizes promotion. They recognize that it is not easy to observe companies in stage 4. Walters (1986) makes a similar observation. He has argued that the product itself is easy to standardize, but a standardized approach becomes extremely difficult when other marketing aspects are included. Hence, even though the global product itself is standardized or with minor modifications (to conform with e.g., different safety and industry standards), branding, positioning, and promotion may have to reflect local conditions (Marketing News, 1985a).

There are arguments for and against the idea of the globalization of markets. On the one hand, people are gradually seeking high quality/low cost products due to the advancement of technology and communication (Levitt, 1983). This facilitates a higher degree of product standardization. Theoretical studies also demonstrate that increases in preference similarity across

nations induce increases in trade (Economides, 1984). On the other hand, rather than standardization with mass-produced goods taking over a culturally homogenized world market, markets are more likely to become increasingly fractured by culturally and/or environmentally-based preferences, though not necessarily organized on a national basis (Robinson, 1986). Besides, as time goes by, new product-specific technology develops and enhances the ability of the firm to provide more diversified and tailored products, without affecting cost and efficiency concerns (Kotler, 1986; Wind, 1986). Recently, Porter has modified the concept of global markets (Industry Week, 1985a). He agrees that products are becoming more homogenized, but also suggests that needs are increasingly being met in a segmented way. Thus the globalization of markets is in essence the globalization of segments.

A global approach would be much easier to implement in a global market or in a group of markets with similar characteristics. Several empirical studies have classified countries into different groups according to market similarities (Root, 1987; Ehrman and Hamburg, 1985), implying that a global approach is applicable to a group of countries. Further support is given by Amine and Cavusgil (1986). They maintain that companies can identify numerous relatively homogeneous cross-national market clusters as well as individual market segments and this facilitates the use of standardized marketing strategies. Although many environment and market factors are

unique to certain countries, the authors nevertheless contend that diverse market conditions are not necessarily an argument against an enlightened use of global marketing strategies.

The advertising industry has taken serious consideration of the global trend ever since Levitt promoted the idea (Fortune, 1984). Several agencies have accelerated their expansion abroad. Though a global or world brand is a product which is manufactured, packaged, and positioned the same way around the world, regardless of individual economies, cultures, and life styles (Advertising Age, 1984a), advertising agencies tend to treat the global marketing concept as the standardization of promotion strategy. Because a uniform promotion strategy is difficult to implement worldwide due to government regulations, different languages, and media availability, some agencies have discredited the idea of a global marketing strategy.

Surveys have shown that most corporations recognize the limitation of global marketing and say that the adaptation approach will continue to be used in the coming decade. Other studies also add that although global marketing can work, advertising must remain culturally oriented (Collegiate Edition Marketing News, 1987d). However, successful cases of global marketing strategies do exist, such as the experiences of McDonald's and Coca-Cola (Advertising Age, 1987). Generally, a global campaign will be more successful in a low-context culture (Marketing News, 1987). Therefore, industrial and high-technology products like computer hardware, airlines and

photographic equipment are more appropriate for global marketing strategies (Wind, 1986; Advertising Age, 1985a).

The controversy around global marketing seems to suggest that it is not an either/or proposition. The issue is not whether to go global but how to tailor the global marketing concept to fit each business and make it work (Quelch and Hoff, 1986; Sheth, 1986). Keegan's (1970) framework for a multinational marketing strategy supports this proposition. He argues that the product and promotion strategies should be determined by needs satisfied, conditions of product use, and the ability of potential customers to buy the product. The implication is that if a product is culturally or psychological specific to a given market or country, it will make a poor candidate for a global campaign (Friedmann, 1986).

GLOBAL PRODUCTS

A global product is an important element of a global marketing strategy. A product can be defined as global if it can be marketed in different markets, with minimal or virtually no modification or adaptation. The focus of an enterprise is on serving global markets with global products (Keegan, 1984; Levitt, 1983). Since a global market is a segment or niche for a product that exists around the world in multiple countries at various stages of development and the segment may be in a quite different relationship with the rest of the national market, the branding, positioning and promotion may have to reflect local conditions (Simon-Miller, 1986).

A global product does not have to sell in every market. For some types of products, the U.S., Japan, and Europe can represent 70% (or even 90%) of the world market demand. And within this increasingly homogeneous "triad," many manufacturers can benefit from "universal" product designs (Industry Week, 1985b).

A global product brings benefits to the producer and the consumer. The advantages to the producer are lower costs and economies of scale in production and management. The consumer benefits through lower prices, better serviceability, increased quality and consistent reliability. However, not all products can become global products. Studies have found that the ability of a product to be global significantly depends on whether the product is regarded as being essential and without close substitutes (Huszagh, Fox and Day, 1985). If a product category falls in line with these qualifications, the product will have universal appeal and is a candidate for global marketing. Industrial products and high-tech products are examples.

Products are used to satisfy human needs and wants. There possibly exist some global products which would satisfy some global markets. However, a global market is not necessarily served by a global product. Let's take look at an example. Human beings need something to eat when they are hungry. To satisfy this need, people eat different kinds of food. Therefore, a global market is there and several products have been used to satisfy this demand. With people exposed to similar technological environments, hamburgers and pizzas can be

served in different markets. These two can be considered close to global products. The argument is that a global market can develop over time and a global product can be designed to serve this market.

The development of globalization or standardization of a product can be explained by levels of technology and time. The key issue is the needs satisfied. Although the degree of standardization varies, the same needs are still focused on. At the same time, an increasing degree of globalization can be plausible. Therefore, firms may start with less standardized products to satisfy the same needs, some endogenous and exogenous factors will enable firms to satisfy these needs with more standardized products later on. For example, in the blue jeans and personal computer markets, advances in transportation and communications technology would tend to influence consumer tastes towards increased homogeneity, facilitating further product standardization. Because it takes time for people having the same needs to develop the demand for the same product, the dynamic effect has to be considered. Vernon's PLC theory (1968) is a support of this argument. Figure 1 illustrates these points.

Figure 1 (A) and (B) demonstrate the relationships between the degree of standardization, product life and technology with regard to a product. In the early stages, marketers have to adapt new products to different market conditions and products tend to have a lesser degree of standardization. As technology

and communication develop, and product knowledge and awareness expand, the tendency to standardize products to reduce costs increases. As further advances emerge, new technology enables more product variation and adaptation at lower costs, decreasing the degree of standardization (Teece 1987). Figure 1 (B) is an illustration of this process. Figure 1 (A) depicts this relationship in terms of life cycle (time). Figure 1 (C) depicts the degree of globalization of markets through time, based on a dynamic perspective addressing needs. Points a and a' illustrate that a less standardized product is used to satisfy a "homogeneous" global market. Though points b and b' demonstrate the same degree of product standardization, point b' represents lower production costs. The rationale is that with the advancement of production technology, product differentiation can be achieved less costly and thus enhances the producer's capability to compete.

Put Figure 1 here

STANDARDIZATION AND GLOBALIZATION

Globalization is a trend while standardization is a strategy to reduce costs. These two concepts are similar but not the same. Standardization can be used to serve heterogenous markets and a global market can be served by different products.

Standardization of marketing means that marketers use the same marketing mix in every market. The other extreme is adaptation, where the marketing mix has to be adapted to local environments. The benefit of standardization is the reduction of

costs while exploiting the benefits of a good strategy. The extent and success of standardization is a function of the degree of homogeneity across the different markets involved and depends primarily on the type of product, price, promotion and branding used (Boddewyn, Soehl and Picard, 1986; Sorenson and Wiechmann, 1975). Obviously the globalization of markets will facilitate the standardization of marketing. On the other hand, a standardized approach may push people towards a similar direction and eventually help the emergence of a global market.

If a product has the potential to be global, it does not necessarily follow that standardization of marketing is applicable. The effectiveness of a uniform marketing strategy is not automatically assured with a uniform product. From these distinctions, it is possible to differentiate between two main versions of the globalization of markets. Levitt (1985) argues that it is the product itself that determines the potential for globalization. As the world gets smaller and more efficient, markets become more homogeneous and open to standardized products. This view is contrasted by those of the marketing and advertising genre who place a more significant role on other elements of the marketing mix, such as branding, packaging and advertising. Their approach focuses on the marketing mix, not just the product. As more elements of marketing are considered, environmental factors play an increasingly important role. Under such a situation, the potential for serving different markets through a uniform marketing strategy diminishes.

III. A SYNTHESIZED PERSPECTIVE

We have examined the issues of global marketing, global products, and the relationship between standardization and globalization in section II. The controversy involved advocates the development of a conceptual framework to reconcile these issues. This section proposes a conceptual framework for globalization of markets and discusses the managerial implications of this framework.

THE FRAMEWORK

Globalization of markets has two dimensions: products and needs. The product dimension focuses on the possibility of marketing the same product in different markets. The needs dimension emphasizes the possibility of satisfying the same needs in different markets with the same product. When we categorize needs and products each into two categories, we have four different combinations as shown in Figure 2. The four cells in Figure 2 have the following implications:

- . Cell SS- the same product to satisfy the same needs in different markets, e.g., digital watches, photographic film.
- . Cell DS- the same product to satisfy different needs in different markets, e.g., bicycles in industrial countries and in developing countries.
- . Cell SD- different products to satisfy the same needs, e.g., automobiles and bicycles as transportation vehicles in countries in different stages of economic development.

. Cell DD- different products to satisfy different needs.

The proposed framework incorporates the various issues around globalization. Examples are: (1) a global product (e.g. wristwatch) is represented by Cells SS and DS; (2) a global brand (e.g. Levis) is represented by Cell SS; (3) global marketing strategies (e. g. McDonald's) are for Cell SS, in the strictest sense, and for Cells SS, DS and SD in a loosely defined sense (e. g. Campbell's Soup); and (4) the trend of globalization of markets will increase (decrease) the number of markets/countries belonging to Cell SS (SD).

Put Figure 2 here

This synthesized framework is able to reconcile different perspectives of the globalization of markets. The first perspective advocated by Levitt (1983) concentrates on marketing the same products in different markets. This view of global markets can be expressed as the combination of cells SS and DS. Keegan (1984) has the same view of a global market. A very similar concept to this is the geographic diversification strategy, in that firms expand by selling the same products in different markets. Here we have to note that, when a global product is marketed in the situation of the Cell DS, the marketing mix has to adapt to environmental and cultural conditions. The other perspective, promoted by some researchers and advertising agencies, points out the fact that the same product can satisfy different needs and different products can

satisfy the same needs. The former tends to emphasize the importance of modifications of marketing strategies, and the latter tends to refute the idea of global products. This perspective can be depicted by Cells DS and SD. Thus the two perspectives have common as well as different grounds. The debate on the globalization of markets between the two can be attributed to the difference in grounds, with one including Cell SS and the other including Cell SD. The controversy on Cell DS would be minimized when we incorporate the idea that the first perspective does not insist on applying the same marketing strategy in all markets (Keegan, 1984; Simon-Miller, 1986). Through this synthesized focus, different interpretations of the globalization of markets can be reconciled as the concept of globalization can be interpreted in a broad manner, and marketers are in a better position to exploit the opportunities in global markets.

MANAGERIAL IMPLICATIONS

Our framework for globalization of markets contends that products as well as needs and marketing environment should be considered concurrently in order to derive global marketing strategies. Markets represented by the three different Cells, SS, DS, and SD, have the potential to benefit from a global strategy. Cells SS and DS together imply that firms can exploit the advantages of a global product while adapting products to the local environment if necessary. The managerial implications of the framework in Figure 2 are the following:

1. The importance of market needs is critical. The marketer should be fully cognizant of the needs, (behavior and character) of potential markets. Similar or identical needs across markets should be skillfully identified and exploited by a global strategy. Needs differences may not lead to product adaptation. Only when benefits increased outweigh the costs involved should the marketer modify or redesign a product.
2. The marketer should thoroughly understand his product, such as the capability to satisfy different needs and the conditions needed for use. This will enable the marketer to identify the marketing opportunities in other markets for the same product, increasing the payoffs to a good product idea.
3. The marketer should look into the possibility of satisfying the same needs with different products. The marketer may have a general ability to satisfy a particular human need. He can expand his business by introducing different products in different markets. Because all of the products satisfy the same need, the marketer can enjoy some benefits from a global marketing strategy.
4. The development of technology enables a marketer to increase efficiency, reduce production costs, and at the same time, enables him to customize to meet market demands. This development also tends to homogenize consumer preferences across nations. Therefore, a localized approach under a

global perspective is feasible. For example, the overall design can follow a worldwide perspective but the marketing strategy may take into account the idiosyncratic country characteristics and cultural differences (Wind, 1986).

IV. CONCLUSION

The globalization of markets broadens the definition of the market and creates both opportunities and threats for firms. This development has led more and more firms to move into the international arena either offensively or defensively. As the world becomes smaller, markets in different countries are easy to tap and competition will become intense. Therefore, firms have to exploit their advantages by operating in different markets or by introducing new products to markets consistently.

The globalization concept has indeed been the focus of much recent research and debate, raising important arguments and different perspectives. These views can be examined and structured around the main issues of global marketing, global products, and the globalization-standardization relationship. Two primary approaches to the globalization of markets have dominated amidst the morass of controversy. One emphasizes the product, and foresees the growth and potential of globalization. The other, stresses the entire marketing mix and predicts a diminishing trend in globalization. These seemingly disparate distinctions can be reconciled by understanding both globalization dimensions of products and needs, as suggested by

this paper.

We have developed a conceptual framework based on products and needs in this paper. This framework can consolidate the opposing viewpoints on the impact of globalization of markets. Therefore, it can help today's marketer to understand the full potential of existing world markets, adequately identify profitable opportunities, and consistently realize the benefits of international efforts. Through sufficient awareness of the significance of both needs and product considerations, marketing managers can combine the advantages of a global approach with the benefits of an adaptive marketing mix.

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FIGURE 1

Product Standardization and Globalization

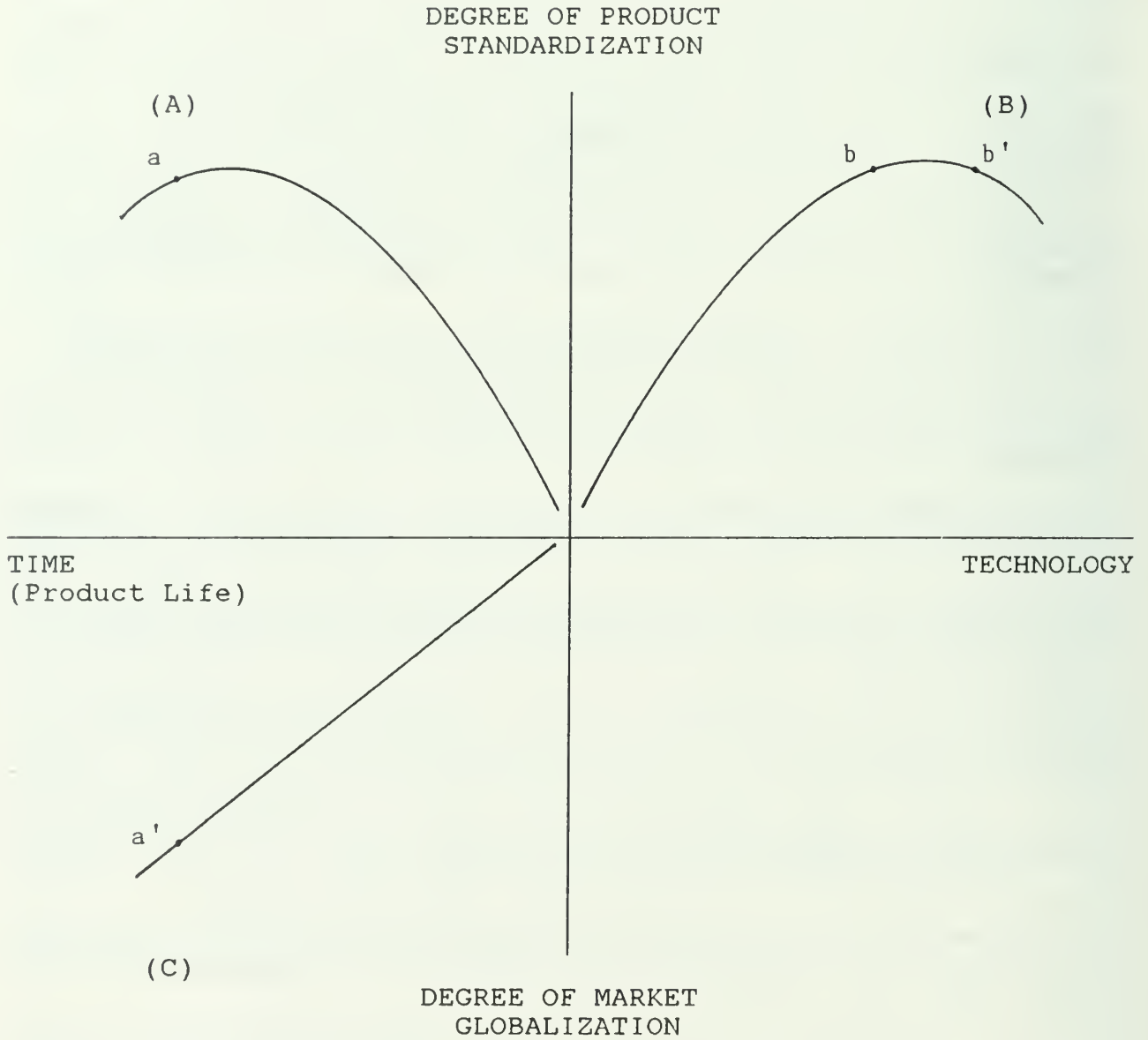


FIGURE 2

A Framework for Globalization of Markets

		PRODUCT(S)	
		SAME	DIFFERENT
NEEDS	SAME	SS	SD
	DIFFERENT	DS	DD

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